13-Sep-2018

Regions Financial Corp. (RF)

Barclays Global Financial Services Conference

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MANAGEMENT DISCUSSION SECTION

Jason M. Goldberg
Analyst, Barclays Capital, Inc.

Okay. Take your seats. We're going to continue with the morning sessions. Next up, very pleased to have Regions Financial longstanding participant of this event. From the company, we're very pleased to have John Turner who became CEO on July 1, David Turner who has been longstanding Chief Financial Officer could be one of the longest CFOs.

David J. Turner, Jr.
Senior Executive Vice President, Chief Financial Officer & Member-Executive Council and Operating Committee, Regions Financial Corp.

And [ph] that always (00:27) makes very nervous retirement...

Jason M. Goldberg
Analyst, Barclays Capital, Inc.

And also with us this year is Deron Smithy who is our Treasurer. With that, let me turn it over to John.

John M. Turner, Jr.
President, Chief Executive Officer, Director & Member-Operating Committee and Executive Council, Regions Financial Corp.

Thanks, Jason and thanks all of you for being with us this morning. Look forward to telling a little bit of Region story. We have over the last several years been remixing and de-risking our business, all with the objective to build a business that can be consistently performing, can be sustainable, can be predictable. And we think that we're now in a position to achieve those goals and objectives. If you look at our current profile, we are very much asset sensitive. We enjoy a low cost deposit base. Credit quality has continued to improve. Clearly, our de-risking activities, we believe have positioned us well for the next economic cycle.

Capital returns and our capital plan will produce outsized returns to our shareholders and we're excited about our Simplify and Grow initiative because it's designed to structurally change our business in ways that will allow us to better serve our customers, make it easier and simpler for our customers and bankers and at the same time drive consistent efficiencies and effectiveness over time. We enjoy very much a low cost deposit base. It's key to our franchise value. The work we've done over the last number of years to remix our deposit base we think has been transformational. Roughly two-thirds of our customer deposits are retail deposits. They're very granular in nature, very loyal. Half of our customer deposits are held by individuals who have banked with us for more than 10 years.

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We benefit from again having most of our customers maintain their primary operating accounts with us that means that these deposits are fairly granular, they are transactional. The average balance is between $3,500 and $5,000. And so, those customer deposits are very much very sticky. Roughly 90% of our customer households maintain what we define as a high quality primary checking account with us.

Our consumer checking deposits are comprised largely of demand deposits, of savings deposits and now account deposits, roughly 63% of all consumer deposits fit in one of those three categories, which again help support our very industry leading deposit beta.

When you look at our deposit advantage, part of it is driven by the position that we have in a number of our markets we have, high share, in 70% of the markets in our 15 state footprint, we have number five or better market share, and 70% of our deposits are in markets, where we do not have significant money center bank competition. I think that's important to reinforce the point, we're often asked, well, how does the money center banks and the investment they're making in digital affect your deposits. And we will stipulate that we're not competing largely with the money center banks in the markets, where we have again strong deposit share.

And again, this supports our industry leading deposit betas. Asset quality has continued to improve. Clearly, we're benefiting from what we think the derisking activities and portfolio shaping that we have done over time. We've made significant investments in our credit risk infrastructure. Our culture is focused on relationships and risk adjusted returns not growth for growth sake, selectivity, sound underwriting and active portfolio management are keys and foundations to our approach.

We believe that the work we've done to de-risk our portfolios in multi-family, in medical office building, in energy, in indirect auto as examples have positioned us well for the next credit cycle. We enjoy strong capital levels and robust capital returns. Our capital priorities are unchanged. We'll continue to use our capital to leverage and to finance organic growth. We want to pay a sustainable dividend of 35% to 45% of earnings. We want to make strategic investments over time but I'd be quick to say that bank M&A is not in our near-term future.

Today the economics don't favor Regions but more importantly, we think that the near-term opportunities we had to improve our performance through our asset sensitivity, through the work we're doing around Simplify and Grow and through our plan to return capital to shareholders will result in improved performance and should result in an increasing stock price which then will position us in the future to think about bank M&A, today just not an option for us.

On the other hand, we've had success with non-bank M&A and we want to continue to make investments in things that will enhance our capabilities, will allow us to meet customer needs and will allow us to grow and diversify revenue, doesn't require a lot of capital but certainly has been, we think beneficial to us. And then finally to the extent that we have capital that is unallocated, we want to return it to our shareholders and as you know, we're in the process of doing that today.

We are excited about our Simplify and Grow initiative and we've announced this right around the first of the year. It's about how do we structurally alter our business to make it easier for our customers and bankers to accelerate revenue growth, to create process, improvements that will ultimately result in greater efficiencies and effectiveness. And we believe that we're having some real success.

Since the first of the year, we have made some internal organizational changes that will begin to show themselves in terms of the impact they'll have in the third quarter. We executed on the sale of Regions' insurance that will

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result in improvements in our efficiency ratio and allow us to focus management attention on where we think we can get a greater return.

We have refined our retail network strategy, announced additional closures in our branches and also reduced the number of positions in our branches so that efficiency within our branch network continues to improve. And I think again all-in-all we have about 40 initiatives that are currently underway and you're just beginning to see the benefits of those and we'll see those in the third quarter.

About 70% of the initiatives are expense focused, another 30% are revenue focused, we have, as I said, already begun making some improvements, our commercial lending process as a result of changes we have made, turnaround times are 70% better than they were just a year ago. We're working to fully digitize our consumer lending platform. First place we started was in mortgage, [ph] which (08:13) modified the mortgage loan application, reduced the number of questions, customers can now complete that application in about five minutes.

And we've seen the adoption of that application increase over the last six months from less than 20% to almost 60%. And largely that's because our mortgage originators are pushing customers that way. They get paid based upon the number of loans that they produce and close and so it tells me that the mortgage loan application changes we've made have been meaningful.

We're using artificial intelligence in our call center. We've intercepted 700,000 calls in six months using IBM's Watson product. As a result of that, we've reduced customer wait time by 16,000 hours and the equivalent FTE associated with answering the 700,000 calls is about 55 people. We're using artificial intelligence in our branches to inform our bankers as they're having needs base conversations with our customers about what the next best product is to talk to that customer about, and again we think this is having a positive impact. But it's not just about simplification, we also want to make investments, and so we're hiring bankers across our businesses, commercial, wealth, consumer, capital markets, just hired a new Chief Data Officer to help us importantly with our digital strategy, and we've invested in new systems in commercial banking, treasury management and wealth banking to name a few.

It is important that we focus on digital. Digital is impacting our business at an ever increasing rate. We are allocating our investments around digital I think in four key categories. One, we want to improve the customer experience. Two, it's important that we use data and analytics to gain better insights into, who our customers are, what their needs are, and where our opportunities are, where we can market to the next customer. Three, we want to use technology to improve our processes. And four, over time we'll continue to make investments in API as we use outsourcing and the cloud to improve the quality of our overall technology offering.

Key to a question we often get is, how are we going to grow? Well, we talked about our dominant share in those core markets that we operate in. We also are in some really fast growing markets, in fact some of the best, the fastest growing markets in the country. You'll see here, we have top five market share in half of these 20 markets and we're making investments in the others, places like Atlanta, Orlando, St. Louis and Houston, where we believe we have an opportunity to grow our business and replicate the kind of deposit base that we currently enjoy across other markets.

We're growing today, consumer checking accounts are up 1.2%. Importantly, consumer demand deposits up about 6% year-over-year, consumer savings up 8% year-over-year. I mentioned that roughly half of our consumer deposits are held by customers, who've been with us for more than 10 years. The most common age of an account we're opening today is 18 years and 45% of all the accounts we open, are opened by individuals whose

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age is 30 or less. So while we have a very solid loyal customer base, we are also appealing to the younger crowd and that's where we see our future growth opportunities.

Commercial banking relationships growing 4%, capital markets revenue up almost 50%, wealth management revenue up 6%. So our business is growing. At the same time, digital adoption is increasing. 55% of our customers are using multiple channels as we think about growth in the future and where we invest, it's got to be across all of our channels because increasingly that's what customers want. They still come into the branches, they call us through the contact center. They use our online mobile platforms and so we'll continue to make those investments. Today, roughly 75% of all of our interactions are digital in nature.

So we're excited about our opportunities. We believe in our plan. We're making investments in talent, in technology and capabilities in markets, and we think that provides a real opportunity to grow. We have modified our guidance. We provided that I think late yesterday a couple of points. We expect our return on tangible common equity to be approximately 16% at the upper end of the range that we have provided.

We expect deposits to be fairly stable, and what that reflects is growth in consumer offset by run off in our commercial deposits. NII, NIR continue to perform very well. We're affirming our commitment to grow loans, sort of, low-single-digit and to deliver an efficiency ratio of less than 60% for the full year.

So with that, I'll stop and we'll take questions. Jason?

QUESTION AND ANSWER SECTION

Jason M. Goldberg
Analyst, Barclays Capital, Inc.

Q

Yeah. That's helpful. Maybe we could delve a bit more into loan growth. You kind of reiterated your low-to-mid single digit or low single digit rather kind of expectations. Others have been a bit more cautious. Can you talk about kind of where you are seeing that growth, what you're hearing from customers and your outlook on both the commercial side as well as the consumer front?

John M. Turner, Jr.
President, Chief Executive Officer, Director & Member-Operating Committee and Executive Council, Regions Financial Corp.

A

So our growth is primarily in commercial. As we completed the second quarter, we saw – beginning to see a nice increase in pipelines. Production was up some 8% and we had nice end of period loan growth that's carried into the third quarter and we're seeing growth really across all of our sectors, growth in both our specialized industries businesses, in wholesale and manufacturing, so our diversified industries groups are growing as well. And it seems to be largely the result of businesses making investments.

On the consumer side, when we continue to experience some run off in our equity loan, and our equity line portfolio but we're at the same time growing the indirect business which to a great extent will offset that excluding the planned run-off in indirect auto.

Jason M. Goldberg
Analyst, Barclays Capital, Inc.

Q

Okay, fine. Then maybe a bit more in terms of net interest margin and I guess, it has been another area of focus you guys have certainly benefited over the last couple of years [indiscernible] (15:12) asset-sensitive balance

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sheet. Maybe talk to kind of what you are seeing in current environment, your deposit betas have obviously been better than peers? How do you see those progressing and how do you see NIM behaving given what you said on deposits and the current rate backdrop?

David J. Turner, Jr.
Senior Executive Vice President, Chief Financial Officer & Member-Executive Council and Operating Committee, Regions Financial Corp.
A

Yeah. I'll start and let Deron kind of wrap up. But one of the things we believe has been under appreciated is our deposit base. John walked through a lot of the statistics in terms of our deposit base, very granular, consumer centric deposits. Our betas perform better than we had anticipated. We think the driver is that granularity. This year our deposit beta has been for the year about 22%. We think it will be for the year about 30% which implies the 40% for the back half.

So we do think deposit betas will start giving or will be higher than we have seen. Our cumulative beta is 14%, the one of the lowest in the peer group and we think we'll even through the cycle continue to outperform because of the deposit makeup that we have.

So that when we talk about asset sensitivity is just not how we structured the balance sheet to actually perform on the short, medium and long end of the curve. But it's really watching that funding base, it's a huge driver.

Loan deposit ratio of 84% and while we're having decent loan growth, it hasn't been something we needed to go chase deposits to fund. We think of growing customer accounts to get loans and deposits, not having to go chase funding and that benefits us by being able to keep that cost down. So we see continued growth in NII. We gave you guidance and we expect our margin to continue to expand. We wish 30-day LIBOR would be more beneficial than it appears to be thus far. But a big driver of our outperformance is the fact that we have a lot of reinvestment whether it's fixed rate securities and loans coming off the books, some $14 billion over the next year.

About $4 billion of that's securities, about $10 billion of that's loans. So reinvestment picking up another 75 basis points to 100 basis points, that's a huge tailwind for us. Even when the curve is flat, it's flat but higher and so that gives us confidence to give you the kind of guidance we have for NII margin

You want to add to that?

John M. Turner, Jr.
President, Chief Executive Officer, Director & Member-Operating Committee and Executive Council, Regions Financial Corp.
A

[indiscernible] (17:44).

Jason M. Goldberg
Analyst, Barclays Capital, Inc.
Q

All right. We will pause and take a couple of look at some of our ARS questions and then we'll take some audience questions. So what's your positioning in the stock, overweight, market weight, underweight or no position?

So 29% overweight. Last year this time that was only 7%, so lot of happy investors in the room, which is interesting, and go to the next question. If we don't own the stock or underweight which line item you kind of most looking at to change your mind, loan growth, NIM fees, expenses, dividend buyback or valuations.

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Loan growth aside from valuation is by far the number one response. I guess you talked about a lot of the initiatives already in terms of your outlook there. So I won't press you further. We pause there and see if there's any questions from the audience. I see one back right and she's coming with the mic, so just wait 10 seconds.

Q

Yes. I have a question. So firstly I want to go back in time a little bit to your sale of Morgan Keegan and just reflect on that transaction and the rationale behind that because if you look at the business today, wealth, $8 billion of deposits is growing pretty nicely, you said it's growing 6% right now. And so just kind of a two-pronged question, just reflect on the rationale today looking back on the sale of Morgan Keegan is because it's done pretty well in its transition. And just kind of how you think about growth in the $8 billion of deposits in wealth?

John M. Turner, Jr.
President, Chief Executive Officer, Director & Member-Operating Committee and Executive Council, Regions Financial Corp.

A

Sure. As you said let's go back, made me cringe a bit. In some cases, we don't want to do that. But in the case of Morgan Keegan that's 2012. In 2012, we still had TARP, we needed to simplify our business, we need to raise capital in the cheapest form we could because we didn't want to dilute our shareholders any more than we had to. Morgan Keegan also had a series of litigation issues that we were dealing with. And so simplifying that, getting out, in particular the retail brokerage side of that was just something we struggled with being able to make that work inside of a regulated bank.

So we were able to get to – it's about $3.5 billion worth of revenue at the time, we sold it for a little over a $1 billion, is right thing to do. That $1 billion also provided liquidity. So we needed that to help to pay for TARP repayment and other things. So it saved us from having to go get a very expensive debt. Our spread was very wide at the time. So we thought net-net, it was the right thing to do. We still believe it. They were good people, and we're glad they had a good home to go to in the form of Raymond James, and they performed very well for them it appears.

But what happened to us in that is, there was a piece of capital markets business on the fixed income side that had to go with the transaction. We kept the trust piece. We had to sell that capital markets piece and that's what we've had to rebuild over time. So you've seen investments that we have made in people and capabilities to serve our larger clients, corporate and commercial clients, and we've had to rebuild. It's taken us some time. And that was really the only disappointment that which we could have kept that piece, but the model wouldn't work breaking them apart. So that was a rationale we thought it was a pretty good decision.

Jason M. Goldberg
Analyst, Barclays Capital, Inc.

Q

Do you have anything to add?

David J. Turner, Jr.
Senior Executive Vice President, Chief Financial Officer & Member-Executive Council and Operating Committee, Regions Financial Corp.

A

I have not been with the bank but about six months, so that wasn't something I knew much about.

Jason M. Goldberg
Analyst, Barclays Capital, Inc.

Q

Thanks. Any other questions?

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Q

Hey, wanted to ask you about loan growth again. If I'm looking at the numbers correctly on an average basis adjusted, you grew like 1.1% year-over-year, and it looks like in the period maybe around 1% or a little less. So you've expressed confidence in loan growth being similar, I think to Q2. So are you talking those types of numbers. And if so, that's a little bit less than peers. And I know you guys have run off – your peers have run off too. So I'm just kind of curious given what you said about your geographic footprint being faster growing, but yet your loan growth looks like it trails peers even again trying to adjust for some of the runoff.

John M. Turner, Jr.
President, Chief Executive Officer, Director & Member-Operating Committee and Executive Council, Regions Financial Corp.

A

Yes. So as we look at our expected performance, we don't have to grow a lot to achieve all of our financial objectives, and we do think that at this point – potentially at this point, in the economic cycle and whose to know when the economy may turn. But it's important that we care for, our markets are very competitive. We won – technically won, booked a little over $9 billion in new business through the first six months of the year. But we didn't win about $5.6 billion in wholesale business opportunities during the first six months of the year.

And the majority of the reason we didn't win that business, was because of pricing or some other structural element. So we know the opportunity is present but we're not competing on rate, we're not competing on terms and we think it's really important during this period of time to emphasize that as part of the culture that we're continuing to build and create sound risk management. And if we do that, we think it's key to our being a consistent and sustainable performer over time. So we're comfortable with our level of loan growth given where we operate, given the competitive conditions and where we are in the market, we can achieve our financial objectives given where we are.

David J. Turner, Jr.
Senior Executive Vice President, Chief Financial Officer & Member-Executive Council and Operating Committee, Regions Financial Corp.

A

I would add to that, if you do a peer comparison as to where the growth came from, that outperformed us in the first half. You'd see that manifest itself in the real estate, commercial real estate. We have not been wanting to grow commercial real estate. We pulled out of Houston, early on. This is when we had energy crisis has hit.

We thought there was risk there. We saw real estate risk in Nashville and Charlotte, and Atlanta and so we chose not to participate in that which was different than our peers did and we think that was the right answer for us. We also have been moving from the construction lending to more term lending, stabilized cash flow lending and that took us a little bit of time to transition but our core business we feel very good about as John mentioned.

Jason M. Goldberg
Analyst, Barclays Capital, Inc.

Q

Yeah. [ph] Bob (25:19) another question, right behind [ph] Mike (25:21).

Q

Yeah. I had a follow-up question on the loan growth and your answer describes a great discipline about pricing and structure et cetera. How much of that is also driven perhaps by CCAR and we've heard this answer from a lot of banks that, we just don't want to do those loans, because they're tougher. Is the whole banking sector just

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more conservative or is there more structural reason, are you running numbers on, if I made that loan, my stress test would get much worse?

John M. Turner, Jr.
President, Chief Executive Officer, Director & Member-Operating Committee and Executive Council, Regions Financial Corp.

A

No, I would say, answer to that question two ways. One, we made a commitment now a few years ago to really focus on risk adjusted returns within our business, and to have a better understanding about returns in our businesses, in our products. So we've made choices like the sale of insurance, where we didn't think we were getting an appropriate return on our capital. And so it is one, a reflection of our commitment to returns within businesses, within portfolios, within asset classes, and a discipline that we're continuing to build on.

We do make decisions though based upon the information that is reflected back to us through the CCAR process. So as an example, David talked about our desire to reduce the amount of construction lending we were doing and shift our real estate business to being more balanced between construction and term lending that was directly the result of the impact that we saw through the CCAR process of holding a lot of construction loans. There was clearly a capital tax. And so we made a decision to reduce the size of that portfolio, and to begin to grow the term lending business, which is more stable and brings with it deposits and fees and other things that, that are more profitable. So it's really a two-part answer.

David J. Turner, Jr.
Senior Executive Vice President, Chief Financial Officer & Member-Executive Council and Operating Committee, Regions Financial Corp.

A

You know, you also have to look at those risk adjusted return manifest itself in decisions like the, not renewing a third-party contract on our indirect auto. The returns were [indiscernible] (27:28) $700 million, so I can appreciate, while others have some run-off portfolios, that's a big number for us.

We also sold $254 million for the troubled debt restructured loans again to try to get our returns up and that's a cultural change that we've had over the past several years is we're not about nominal revenue and nominal balance sheet growth, it's about risk adjusted returns to our shareholders because we needed to get our return on tangible [ph] coming up (27:54) and we think you're seeing the benefit of that.

Jason M. Goldberg
Analyst, Barclays Capital, Inc.

Q

Additional questions? And we'll go to the next ARS questions. For the audience, what do you think will drive the most benefit from the Simplify and Growth initiative? These are consumer lending, head count elimination, real estate reduction and branch reduction, additional business divestitures like RF insurance or rationalization of non-core markets or realization, because realization should exit non-core states to go with.

John M. Turner, Jr.
President, Chief Executive Officer, Director & Member-Operating Committee and Executive Council, Regions Financial Corp.

A

It's like you picked one? One state.

Jason M. Goldberg
Analyst, Barclays Capital, Inc.

Q

States. So, branch and real estate reduction followed by head count elimination. I guess on Simplify and Grow have you, or willing you or going to kind of maybe put out some financial targets for that – I mean you talked about being more geared towards expenses than revenues. But you had your prior [ph] $300 million to $400

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million (29:17) type state program which are hard dollar number, I guess how are you conceptually thinking about this program? And when could we hear more about it?

John M. Turner, Jr.
President, Chief Executive Officer, Director & Member-Operating Committee and Executive Council, Regions Financial Corp.

A

We haven't given out any hard dollar targets because we really view it as an effort to change our culture to create a culture of continuous improvement. We don't think about it as a program whether at beginning and in end. But rather it is a different way for us to think about how we do business. We've embedded the impacts that we believe we will experience in our financial targets. And so as you see those targets, you can appreciate achieving the results or in part will be achieved through Simplify and Grow. But we don't intend to put out any specific targets or categorizations because we think that implies a program which might force us to make some decisions to meet targets that we ultimately don't want to be held to. I think as long as we achieve our financial targets, as they've been described, and how we get there, we want to be left to us and we won't be able to control the timing.

David J. Turner, Jr.
Senior Executive Vice President, Chief Financial Officer & Member-Executive Council and Operating Committee, Regions Financial Corp.

A

We have given you targets that's part of Simplify and Grow is helping us get to below 60% efficiency ratio. Simplify and Grow will help us get to that mid-50s to lower 50s on efficiency over time. So we haven't given a dollar amount for expense elimination and this manifests itself in the resulting metrics that we see. And you look at what's on the slide there, the first four of those are all embedded in Simplify and Grow.

That's the extent of which is perhaps different than what each of you may want, but all of those are being addressed. We do look at all of our states, we like the diversification that we have. Clearly, we don't have share in the same share in some states, as we do in others. But we are making sure all of those are very profitable. And if you get rid of one, you got to redeploy the capital to get the return that we need to have. So those are all very good points and are being addressed in Simplify and Grow.

Jason M. Goldberg
Analyst, Barclays Capital, Inc.

Q

I guess maybe we'll ask the audience a follow-up question today with the next ARS question.

David mentioned the mid-50s kind of [indiscernible] (31:38) efficiency ratio. I guess where do you kind of see Region's kind of long-term efficiency ratio target should be talking about sub-60% this year, mid-50s longer term, throw some choices out to the audience?

So [ph] thought that (32:06) mid-50s may have been a little bit higher although you have some people being smart at being sub-52%. I don't know. Dave looks a little bit uncomfortable. In terms of long, long term is, right.

David J. Turner, Jr.
Senior Executive Vice President, Chief Financial Officer & Member-Executive Council and Operating Committee, Regions Financial Corp.

A

Oh you're talking about for – is that a 2019 or is that a three-year, what's ...

Jason M. Goldberg
Analyst, Barclays Capital, Inc.

Q

I was thinking three – I think more like a three-year.

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David J. Turner, Jr.
Senior Executive Vice President, Chief Financial Officer & Member-Executive Council and Operating Committee, Regions Financial Corp.

A

Yeah.

Jason M. Goldberg
Analyst, Barclays Capital, Inc.

Q

And we'll go to the last ARS question for Regions. What do you think is the best incremental use of capital for Regions excluding organic loan growth, key bank acquisitions, non-bank acquisitions, further increase the dividend, further increase the buyback? Not a clear consensus. People want even more buybacks and that is never enough, followed by non-bank acquisitions, which you talked a little bit about earlier. I guess this – it will return a lot of capital this year despite that you still have a lot of capital. I guess, how do you think about utilizing [indiscernible] (33:31) capital on the face of an evolving CCAR? And just borrowing more than you need?

John M. Turner, Jr.
President, Chief Executive Officer, Director & Member-Operating Committee and Executive Council, Regions Financial Corp.

A

Now that's a great question. We've developed over the years a very good capital planning regime. We had a lot of people that worked on it, Deron's team drives it. And we don't set capital targets based on what a third party regulator or otherwise would tell us. We've said it based on the amount of capital, we think we need have to run our business and our job is to optimize that capital both in total and the components of the stack. And so we are working to become more efficient. We've been solving Tier 1 with too much common. We're going to rectify that over time and get our common equity Tier 1. Our math tells us we ought to be in the 9.5% range which we're seeking to get to in 2019.

We're going to call it 11% right now. So a point and half, that's a $1.5 billion in real math, that we need to return to shareholders. So we hope we get some relief not because it will change the capital targets, but it will change how timely we can manage our capital levels, that is repurchases really ought to be the last thing that we do. We ought to be putting our capital work for our shareholders to grow. But when the growth opportunities aren't there then you give it back and not let it pile up and hurt your return. So we're excited about getting that ability to manage more real time, and – but 9.5% is kind of the common equity Tier 1 target that we currently have.

John M. Turner, Jr.
President, Chief Executive Officer, Director & Member-Operating Committee and Executive Council, Regions Financial Corp.

A

Yeah, I would just comment on the dividend. Obviously, this year we had a pretty robust increase in the dividend and the way we think about that primarily is we want to set the dividend in a level that we think is sustainable through what I would call a normal cycle, so a normal downturn. And as John's talked about our efforts over the last few years to make sure we're getting paid for the risk we're taking to de-risk in certain places, to grow revenue streams that we think are more stable through the cycle. That all contributes to greater stability and earnings and lower variability in earnings.

And so, I think over time, we believe we can get the dividend payout ratio. Obviously, the dividend will grow commensurate with earnings, but we also think the payout ratio can grow toward the upper end of that 35% to 45% range as we continue to grow those businesses that contribute to stability and earnings, and we manage the variability of the credit risk in the balance sheet.

Jason M. Goldberg
Analyst, Barclays Capital, Inc.

Q

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And maybe I know in several years this conference we've talked about the impact of hurricanes and how that [indiscernible] (36:30). It looks like in the next couple, we'll likely miss the most of your franchise, but can you just remind us in terms of how the impact of hurricanes plays through in terms of what you initially see from a credit loss perspective, and a deposit inflow perspective and rebuilding? Can you just remind us how investors should think about that for some of these other markets? Just to go around.

David J. Turner, Jr.
Senior Executive Vice President, Chief Financial Officer & Member-Executive Council and Operating Committee, Regions Financial Corp.

A

Yeah. So, we do have branches in the current path. Our teams are busy right now in going zip code by zip code in terms of what we do have and how it might get impacted, whether it be from wind or flooding. So we do go through that. What happens is generally there is destruction of some form. Sometimes insurance covers it, sometimes it doesn't. They are generally speaking early on, there are more losses, but then you have a period of time where there is a lot of infrastructure spending to kind of rebuild that and lending opportunity to these come out of that too. But early on our job is to take our customer base and make sure they're taken care of. They have cash needs.

When you lose electricity and you've been flooded and you need cash to – it becomes the cash economy very quickly. So we'll dispense our mobile units to get down to the affected area, so that our customers can get back as quickly as they can to normal life and get cash in their pocket, help businesses get open because every day they are closed or losing money. Hopefully it's insured. But that's really how we see it. And over time it creates opportunity. You saw that in Houston where we pulled back from commercial real estate and then there was a hurricane. There was a lot building that came after that.

John M. Turner, Jr.
President, Chief Executive Officer, Director & Member-Operating Committee and Executive Council, Regions Financial Corp.

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But within 60 days to 90 days, you'll see an increase in deposits and then economic activity will pick up as rebuilding occurs. So it's eventually will create a dynamic in the market that will be good for business. Always a human tragedy associated with that. So you never wish for a hurricane but there is a positive business impact typically as a result, I think that was the nature of the question.

Jason M. Goldberg
Analyst, Barclays Capital, Inc.

Q

Okay. Maybe time for one more last question from the audience. I guess John I appreciate you have been with the banks seven years but you've only been CEO for 75 days or so. Maybe talk to kind of any initial impressions, surprises anything you want to see done differently as you kind of look out?

John M. Turner, Jr.
President, Chief Executive Officer, Director & Member-Operating Committee and Executive Council, Regions Financial Corp.

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Yeah. I would say impressions, I'm more optimistic about our future than I was before I was the CEO, not because I'm the CEO but because I've had a chance to spend time in our markets with our teams. I think we've got a really solid plan I like the trajectory that we're on. And so, I would say my impressions are really informed by the commitment of our team, the reaction to the changes associated with Simplify and Grow, they're excited about our plans and the things that we're doing to make our business stronger.

Jason M. Goldberg
Analyst, Barclays Capital, Inc.

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Great. With that, please join me in thanking the Regions' team for their time today. Just so you know, so BB&T which is supposed to be next in this room, did not make it here because of Florence. We'll resume back in this room at 12:00 with Eli. Also at this time if you want to go see any other rooms, you have East West, iStar, MGIC and [ph] Banco Santander (40:02).

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